Supersedes: **Child Care 2-5 (9/1/06)**

References: **45 CFR 98.20; 52-2-701 - 704; 52-2-713 MCA**
ARM 37.80.201 - 202

General Rule

Eligibility is based on the income anticipated in future months. Prospected income is applied to future scholarship months. Prospected income is applied to the current month only when it applies to a new application.

The current month's income may be less than that anticipated in future months. Eligibility may be determined for the current month based on the current month's income and eligibility may be issued for subsequent months based on prospected income. This avoids an unnecessarily high co-payment during the parent's first partial month of employment.

Assuming income eligibility is prospected correctly, income fluctuations will not affect eligibility during the current certification plan. If eligibility is determined with incorrect information, the CCR&R Eligibility Specialist shall proceed with a correction process.

Verify Income

Information provided by the applicant/participant must be verified with corroborative documents and/or statements from third parties (i.e., employers, CSED, etc.). If needed, assistance is provided to the applicant.

⇒ Case note the eligibility determination and verification process.

Prospecting Income

To prospectively budget countable monthly income, use one or a combination of the following methods:

1. **Anticipating-** used when none of the other methods are allowed or appropriate.

Note: The **13 week calculation** is only used for income received monthly or semi-monthly (received twice a month with set pay dates, i.e. 1st and 15th). It is not used if income is a set salaried amount.

2. **Factoring-** used for weekly or bi-weekly income.

3. **Averaging**- used when there is a reliable history of income; sometimes used in combination with the factoring method.

4. **Annualizing**- used for contractual, self-employment or other income.

The method selected will depend on the frequency of the receipt of income and other related circumstances.

Actual Income

Actual income is used when:
- computing an overpayment;
- the income is for the month of application, <u>and</u> the income is from a new or terminated source, <u>and</u> the participant did not receive a full month of income.

NOTE: If all bi-weekly pay stubs are provided in the month of application, income must be factored even when they did not receive a third paycheck.

Anticipating Income Method

The anticipating monthly countable income method is used when no other budgeting method is allowed or appropriate. Use this budgeting method when:
- A full month's income is not expected because the individual will not be working or getting paid for at least one pay period during the month (e.g., new employment, unpaid extended sick leave, or unpaid vacation); or
- Income is from a terminated source (e.g., lay-off or other job termination); or
- Income history is not reliable; or
- Significant income change is expected in the future (e.g., promotion, part-time to full-time or vice versa, additional job, transfer, etc.).

NOTE: When an expected income change is reported, more detailed information is needed, schedule a review, complete a desk audit, or set an alert for the time the change is expected. Allow time to incorporate the new information into the best estimate determination and to give timely notice. Case note which budgeting method was used to prospect income for the case. Include the following:

1. When and how the CCR&R Eligibility Specialist learned of the expected change;
2. What the expected change will be (raise, new job, lay off, etc.);
3. The amount of the change and when it will happen **or** the nature of the change if it is not known but follow-up has been scheduled (review, desk audit, alert);
4. How the new Best Beginnings Child Care Scholarship was calculated (i.e., number of hours, rate of pay, days off, etc.); and
5. The verification used (e.g., employer statement).

13-Week Calculation

Anticipating income using a 13-week calculation can be used to determine the best estimate of monthly or semi-monthly income, which does not have a reliable history to average but is expected to continue for at least the next three months. This method is based on the fact that every three-month period contains 13 weeks. Multiply the average hours per week by hourly wage. Then multiply by 13 and divide by 3 months. <u>If income is a set salaried amount this calculation cannot be used.</u>

NOTE: Semi-monthly means received twice a month with set pay dates, (e.g., 1st and 15th).

EXAMPLE: On February 2, an employer statement was received which indicates an individual's work hours will increase to 40 hours per week. The wage will continue at $5.85 per hour and pay dates will continue to be semi-monthly on the 1st and 15th.

40 X $5.85 = $234/wk X 13 wks = $3,042 / 3 months = $1,014 per month. The $1,014 would be used as the best estimate of monthly income. Case notes clearly document action taken including the above calculation.

NOTE: When either a reliable income history is reported or verification is received of salaried amount (a fixed amount per pay check independent of how many days are worked) income should be averaged instead of using the 13-week method.

EXAMPLE:On 08/10/98, Dolores provides an employer statement indicating she started working 08/08/98 and is paid twice a month on the 15th and the 30th for salaried employment (i.e., gross pay per pay period is $350). September Best Beginnings Child Care Scholarship is determined based on $350 X 2 = $700 per month.

13 Week Calculation Not Used

The 13 week calculation cannot be used if monthly or semi-monthly income is from:

1. A partial month of employment (i.e., the individual is not expected to work or get paid for at least one week of the month);
2. Employment which is not expected to last a full quarter (13 weeks);or
3. Salaried employment (monthly income does not fluctuate).

To determine the best estimate in the first two situations actual days must be counted taking into consideration days off and paid-holidays instead of using the 13-week method. The best estimate for salaried employment is to average; multiply the 1st semi-monthly check by 2.

EXAMPLE: The application was received November 9th. Pay dates are the 5th and 20th with pay periods ending the 31st and 15th each month. The participant earns $5.95 per hour, averages 40 hours per week, is off on Fridays and Saturdays, and is paid for holidays. Income received in November is expected to be for ten 8-hour days (10 days X 8 hours = 80 hours X $5.95 = $476 for November).

December, January and February income can be determined using the 13- week method because full monthly income is anticipated each month.

Factoring

The Best Beginnings Child Care Scholarship program requires that income

Income

received weekly or bi-weekly (every two weeks) be factored. If there is a reliable history of income, it is a best practice to average and then factor.

NOTE: Child support income and legally obligated child support payments, can only be factored if truly received/paid on a weekly or bi-weekly basis.

When countable income is received weekly (e.g., every Friday) or bi-weekly (e.g., every other Friday), the income factoring method must be used to determine countable monthly income unless one of the factoring exceptions is met on page 6. If income fluctuates and verification of a reliable history has been provided, average to get a weekly or bi-weekly amount and then factor to get a monthly amount.

NOTE: If weekly or bi-weekly pay checks are provided for the month of application, the checks must be averaged and factored even if they did not receive a 3rd or 5th check in the month of application.

1. To factor weekly income, the weekly income amount (actual or average) will be multiplied by 4.3 to determine a monthly amount; or
2. To factor bi-weekly (i.e., every two weeks) income, the bi-weekly income amount will be multiplied by 2.15 to determine a monthly amount.

EXAMPLE #1: Ginny started a new job working 40 hours per week at \$6.50 per hour and is paid weekly. Ginny's monthly income is determined using 40 hrs X \$6.50 = \$260 X 4.3; \$1,118 is her monthly factored income.

EXAMPLE #2: Grace works for the State of Montana. She works full time and earns \$7.00 per hour. She is paid bi-weekly, every other Wednesday. She receives \$560 gross income in each paycheck. Grace's monthly income is determined using \$560 X 2.15; \$1,204 is her monthly factored income.

⇒ Enter a case note, stating the method and amounts used to determine income.

NOTE: It is not appropriate to factor hours separately from income. However, the order in which the calculation occurs does not matter.

EXAMPLE: 20 hours per week at $5.85 per hour and paid weekly:
Either of the following are acceptable:
20 X 5.85 X 4.3 = $503.10
20 X 4.3 X 5.85 = $503.10

Factoring Exception

An exception to the factoring method for weekly or bi-weekly income occurs when the participant will not work for one full pay period (i.e., verification is provided that a participant will not be paid for hours normally worked such as unpaid sick leave due to scheduled surgery or unpaid vacation, etc.) In this situation, the anticipating budgeting method of counting actual days should be used to determine the best estimate.

NOTE: Days off and paid holidays must be taken into consideration.

⇒ Case notes must clearly document why weekly or bi-weekly income was not factored and details of how income was anticipated.

Averaging Income Method

Income averaging is used when there is a reliable income history. It is sometimes used in combination with factoring. Be sure to ask the applicant/participant if the average is expected to continue and case note. When averaging, look for patterns of overtime.

1. The CCR&R Eligibility Specialist and the participant must agree on:
   a. a representative period of time;
   b. the number of paychecks; and
   c. the pay dates.

NOTE: Paychecks, which are agreed on as unusually high or low should be disregarded unless the trend is anticipated to continue into the prospective period.

NOTE: It is recommended that an employer statement rather than a client statement be used as verification.

2. Divide the total income received during the representative period by the number of pay dates in the period to determine an average amount per pay date.

3. If income is received:
   a. Monthly or semi-monthly, multiply the average pay date amount by the number of pay dates in a month to arrive at the average monthly income.
   b. Weekly or bi-weekly, multiply the average pay date amount by 4.3 (weekly) or 2.15 (bi-weekly) to arrive at the average monthly income.

NOTE: Do not average income when significant income changes are expected in the prospective period. Instead, use the anticipating income method, counting days in pay period etc.

4. Case note, stating the method used (averaging or averaging and factoring) to determine income eligibility, and:
   a. what the agreed upon representative period of time was;
   b. what information was used to calculate the average pay date amount (gross pay received pay date #1 + gross pay received pay date #2, etc. divided by the number of pay dates used); and
      NOTE: If certain paychecks were excluded in the averaging process, case notes must clearly document justifications.
   c. whether the factoring method was used to set the monthly amount. (See the factoring section for requirements and exceptions to the use of factoring.)

Annualizing Annualizing income is used for contractual, self-employment ,or other income

Income Method

anticipated to cover a longer period of time. Divide an annual or contractual amount by the number of months the income is intended to cover.

NOTE: Do not use annualizing if significant income changes are expected in any months during the review period. Instead use the anticipating income method.

Enter a case note, stating the method used to determine income eligibility, and:

1. The type of income (e.g., contractual, self-employment, etc.);
3. The income amount used;
4. How the amount was determined (i.e. tax return, business logs, etc); and
5. The number of months the income is intended to cover.

EXAMPLE: Helen has a craft business that she operates out of her home. Her books indicate that she receives some income every month. She has no other source of income (earned or unearned). She indicates the income from this business is intended to support her year round.

Add all Helen's annual income from this business (minus allowable expenses) and divide it by 12 months to arrive at the countable monthly income.

Jan.	$ 300.00		July	$ 500.00
Feb.	$ 275.00		Aug.	$ 400.00
Mar.	$ 350.00		Sept.	$ 350.00
Apr.	$ 550.00		Oct.	$ 450.00
May	$ 600.00		Nov.	$ 950.00
June	$ 550.00		Dec.	$1,100.00
		Total:		$6,375.00

$6,375 divided by 12 = $531.25/month

Additional

Averaging Semi-Monthly Income

Examples

Joe has been working for the same employer for two years. His hours fluctuate from week-to-week. According to Joe, he always works at least 20 hours and never more than 35 hours per week. Joe gets a paycheck on the 1st and the 15th of each month. He is paid $6.50 per hour. Joe is able to provide pay stubs for the last two months (February and March). He states that he expects the next three months (April, May, and June) will be very similar to the past two months in terms of the number of hours he will work.

Using the four pay stubs provided, average to arrive at an amount per pay period to use. Joe has agreed the paychecks are a best estimate for the prospective period.

Feb. 1st pay stub	49 hours	$ 318.50
Feb. 15th pay stub	42 hours	$ 273.00
Mar. 1st pay stub	47 hours	$ 305.50
Mar. 15th pay stub	55 hours	$ 357.50
	193 hours	$1254.50

$1254.50 divided by 4 equals $313.62 -- the average amount per pay period.

Multiply the average amount per pay period by the number of pay periods in a month to arrive at the average monthly income.

$313.62 X 2 = $627.24

13 Week Calculation

If significant changes were expected in the previous example, such as Joe receiving a raise to $6.75/hour and a change in hours, the anticipating method using the 13-week calculation would provide the best estimate.

EXAMPLE: Joe provides an employer statement indicating he will work an average of 27 hrs/wk and that his raise to $6.75 is effective March 16th. All hours on his April 1st check will be paid at the new hourly rate.

27 x $6.75 = $182.25 X 13 = $2,369.25 divided by 3 = $789.75.

Averaging

If the only expected change in the previous example were an increase in the hourly wage, the best estimate would be to multiply the average hours by the new rate of pay:
193 hrs divided by 2 mo. = 96.5 X $6.76 = $651.38

Note: Prospected income is less in the averaging example than in the 13-week calculation because averaged hours are less than the 27 used in the 13-week calculation.

Averaging and Factoring
In some situations a combination of methods is appropriate to arrive at the best estimate.

Sam has been working for the same employer for six months. He has fluctuating income and is paid every Friday. The CCR&R Eligibility Specialist and Sam have agreed to use the actual income amounts that were received for the six weeks prior to the scholarship application interview to determine his average weekly income:

Week 1:	$ 100
Week 2:	$ 150
Week 3:	$ 150
Week 4:	$ 200
Week 5:	$ 50
Week 6:	$ 200
Total:	$ 850

Average weekly income: $850 divided by 6 = $141.67
Factor the average weekly income $141.67 x 4.3 = $609.18

($609.18 is the average monthly income)

> NOTE: The $50.00 received the 5th week must be evaluated to determine if the trend is expected to continue. The check could be disregarded as an unusually low check if it is not expected to happen again in the prospective period. A case note must clearly document the justification for either disregarding or including the check.

Income Not Counted

There will be instances when income is not counted prospectively.

EXAMPLE: A household has no earned income. The household timely reports on July 2nd, using a change report form, that on July 5th a household member will start a job and the first paycheck will be received on July 20th. The job will end on August 5th, and the last paycheck will be received on August 20th.

In this example, July’s earned income will never be counted. The household reported the income correctly. July's income could not be reasonably prospected, and therefore was not considered. August Best Beginnings Child Care Scholarship was determined based on prospecting August’s income as a result of the information provided in the change report.